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12 August 1965

**MEMORANDUM FOR THE RECORD**

**SUBJECT** Economic Warfare Meeting and Discussion

**TIME:** Wednesday, 11 August 1965, 1400-1500

**PLACE:** Mr. Stoneman's Office, Room G212, New State

**PARTICIPANTS:** Mr. Walter G. Stoneman, Deputy AA/FE/AID  
Mr. Solomon Silver, PDO/RE/AID  
Mr. W. J. Mazzocco, C/VN/AA/FE/AID  
Mr. Gilbert Kinney, State (on Ass't Sec. Bundy's Staff)  
Mr. George A. Carver, Jr., CIA/SAVA  
[redacted] CIA/ORR

1. I attended this meeting as Mr. de Silva's representative and asked [redacted] to accompany me. [redacted]

2. Instead of the anticipated general discussion of economic warfare and related political action, the meeting was entirely elevated to a problem raised by Mr. Mazzocco: possible Communist use of an profit from the US AID program for Vietnam, including the actual acquisition of goods and commodities and the generation of revenues from commercial or clandestine traffic in such goods and commodities. Possible Communist modes of acquisition included diversion of AID shipments prior to their arrival in Vietnam, theft or diversion by various means (dummy, front importers, false licensing, etc.) of in-country stocks, and simple purchase in Vietnam of AID-financed imports of value to the VC (e.g., medicines). (In essence, Mr. Mazzocco covered the ground surveyed in his 15 March 1965 memorandum which was instrumental in prompting the Chase mission.)

3. After considerable discussion it was agreed:

(1) That these sources of supply could never be completely denied to the VC (you can't check the politics of every customer in a pharmacy), but they should be curtailed.

(2) That the exact magnitude of the problem could never be determined with precision, but the matter should be surveyed in both Washington and Saigon to get some idea of the degree of assistance the VC could be getting through the AID program.

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(3) That the whole spectrum of controls and checks on the shipment, funding and distribution of AID commodities should be critically examined with this problem in mind.

(4) That this task -- and, indeed on aspects of economic warfare (including economic support to political action) -- was an inter-Agency matter whose effective execution would require the closest inter-Agency cooperation in both Washington and Saigon.

4. Several ideas were floated with respect to achieving the above objectives (including the suggestion of a full-time inter-Agency task force, which I shot down at once). It was finally agreed that:

(1) Persons present at the 11 August meeting would repair to their respective Agencies, search their files and get some general impression of the amount of relevant material available in Washington.

(2) The same group would reconvene at 1000 on Wednesday, 18 August, to review each other's findings.

(3) Mr. Stoneman will then prepare a briefing for Mr. Charles Mann (Mission-Director designate, USOM/Vietnam) and attempt to convince him of the importance of this particular problem and of economic warfare in general.

(4) The US Mission in Saigon will be encouraged to undertake a coordinated examination of this problem along the lines (and around the instrumentality) of the Chase Mission; make recommendations for -- and initiate -- corrective action; and, more generally, address itself with greater coordinated knowledge, imagination and efficiency to the whole range of economic warfare problems and possibilities.

(5) The 11 August session will constitute the nucleus of an informal Washington group which will meet occasionally (once every two or three weeks) to compare views and action ideas on economic warfare and to engineer the implementation of any ideas that seem promising.

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Vietnamese Affairs Staff will keep other interested Agency components informed of further action or developments in this economic warfare field.

George A. Carver Jr.  
Vietnamese Affairs Staff

O & 1: Mr. de Silva  
1: Mr. Colby, C/FE  
1: [REDACTED]  
1: Dr. Otto Guthe, D/RR  
1: [REDACTED], ORR  
1: Mr. Carver  
✓ 1: SAVA/Chrono

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